

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **M & I Bank of Burlington** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **April 18, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated **"outstanding"** based on the findings presented below.

COMMUNITY PROFILE

The bank's community encompasses overlapping circular areas surrounding each office. Since the previous examination and concurrent with the ownership change in February, 1995, the delineation was revised to include the western half of Racine County, the western two thirds of Kenosha County, and the eastern portion of Walworth County. The southern portion of Waukesha County was deleted. The following census tracts, block numbering areas, and communities represent the bank's current delineation:

Racine County MSA 6600
Census Tracts: 18, 20, 21, 22, 24.01, 24.02, 26, 27, 28

Kenosha County MSA 3800
Census Tracts: 27, 28, 29.01, 29.02, 30

Walworth County
Block Numbering Areas: 1, 2, 10, 17

Towns within the delineated community include Burlington, Bloomfield, Brighton, Bristol, Dover, East Troy, Lyons, Norway, Paris, Randall, Rochester, Salem, Spring Prairie, Waterford, Wheatland and Yorkville.

Burlington, Wisconsin, location of the main office, is in Racine County. Based upon 1990 U.S. Census data, 175,034 people reside in Racine County and approximately 8,855 people reside in Burlington. Minorities comprise less than 2% of the population in Burlington; individuals of Hispanic origin followed by Native Americans constitute the largest portion of the city's minority population.

Burlington is home to a number of diverse, small industries which together with employment opportunities in Milwaukee, Racine, Kenosha and neighboring Elkhorn support the local economy. According to the 1995 Wisconsin Manufacturers Register, Burlington's major manufacturing firms were Nestle Foods Corporation (500 employees), Foster-Forbes Glass Company (300 employees), Echo Lake Farm Produce Company (175 employees), Lavelle Industries (165 employees), N.E.L. Frequency Controls (162 employees), Peters & Sons, Inc. (150 employees), HiLiter Graphics (150 employees), Lynch Display Vans, Inc. (125 employees), and Packaging Corp. of America (100 employees). Burlington Memorial Hospital, with approximately 600 employees, is the area's largest employer.

Waterford, Wisconsin (population 4,255) is the location of the bank's other Racine County office. Minorities comprise less than 2% of Waterford's population. The area is experiencing rapid growth, as the market for new housing has resulted in the southward expansion of Milwaukee suburbs. Waterford is home to a number of small manufacturing companies, including Edstrom Industries, a manufacturer of livestock watering equipment; E.S. Precision, a manufacturer of plastics; Sta-Rite, a manufacturer of water filter for pools and pumps; HyPro, a machine shop company; WACO, a manufacturer of aluminum products; and Waterford Bicycle, a manufacturer of customized bicycles.

The bank's other offices are located in Twin Lakes and Paddock Lake, both in Kenosha County. The Village of Twin Lakes (population 3,989) and Paddock Lake (population 2,662) are primarily resort communities where Native Americans and Hispanics combined, comprise less than 2% of the total population. In addition to tourism, the Twin Lakes economy is also supported by light industries such as B&B Pallet, a manufacturer of wooden pallets; and B.L.P., Incorporated, a manufacturer of pressure sensitive labels.

Industrial development in the community is promoted by Racine and Kenosha County Industrial Development Corporations; both organizations participate in the Small Business Administration (SBA) 504 matching funds loan program. According to the Wisconsin Department of Labor and Human Relations (DLHR), as of February, 1996, the unemployment rate in Racine County (5.1%) was above the State unemployment rate of 3.9%, but below the national unemployment rate of 5.5%. The unemployment rates for Kenosha (4.3%), Walworth (4.1%) and Waukesha (3%) Counties were below the state and national averages.

According to 1990 census data, the housing stock in the delineated community consists of older, well preserved single-family homes with the median age of 29 years. The total number of residential units in the market was 27,573, with 18,333 or 66% owner-occupied and 5,356 or 19% renter-occupied.

BANK PROFILE

M & I Bank of Burlington, formerly known as Bank of Burlington, with \$185,559,000 in total assets as of March 31, 1996, was acquired by Marshall & Ilsley Corporation February, 1995. Full credit and deposit services are available at the bank's main office in Burlington as well as the bank's Twin Lakes, Paddock Lake and Waterford offices. Loan, deposit and trust services are processed at the main office. The bank's competitors include:

- Bank One, Burlington, Branch of Elkhorn
- First Banking Center, Burlington
- First Financial, Burlington and Twin Lakes
- State Financial, Waterford
- Rochester Wisconsin Branch of Community State Bank, Union Grove
- Advantage Bank, Paddock Lake

ASSESSMENT OF RECORD

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Regulatory Expectation

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

Scope and Findings

The bank ascertains community credit needs primarily through officer and director affiliations with various community organizations, and through officer call programs directed at both customers and prospects. Bank management uses surveys to augment these efforts. Various internal reports, studies, and surveys were reviewed to determine the level and effectiveness of the bank's ascertainment efforts.

OFFICER - DIRECTOR AFFILIATIONS

The bank uses director, management and officer affiliations with various community, civic, and professional groups and organizations to ascertain community credit needs. Annually, management surveys its employees to identify their participation in community activities. Senior management and the bank's CRA committee review the results of this survey to determine if the bank is adequately represented in its delineated community. Examples of officer and director affiliations are listed below:

- Racine County Board
- Norway Shores Retirement Community
- Memorial Hospital Board
- Wheatland/Randall Town Planning Board
- State of Wisconsin Agricultural & Trade Board
- State of Wisconsin Vocational Education Council
- Halls Point Builders Association
- Norway Historical Society
- Burlington Housing Authority
- Southeastern Wisconsin Regional Planning
- Burlington Main Street
- Burlington Downtown Preservation

The preceding affiliations are varied in type and purpose, as well as dispersed throughout

the delineated community. These outreach efforts attest to the bank's commitment to ascertaining credit needs throughout its entire community.

CALL PROGRAMS

The bank has an officer call program designed to serve existing customers and develop new business by calling on prospects. Since the previous examination, bank officers made a total of 1,296 calls throughout the delineated community. Of this total 729, or 56% were to established customers of the bank and 567, or 44% were to prospects. Calling activity reports are sent to the CRA committee monthly for review, then forwarded to the board of directors. Certain groups such as village/township officials, real estate brokers, and schools have been targeted for calls. The Lake Ivanhoe Homeowners Association, primarily a black resort community, has received considerable attention from the bank.

In response to the information received through the bank's ascertainment efforts and as part of its 1995 CRA plan, management adopted alternative mortgage underwriting criteria to provide credit-worthy, low-income individuals greater access to conventional mortgage products. The alternative underwriting criteria now includes long-term fixed rate mortgages. Since the previous examination the bank has booked 64 such loans totaling \$6,147,932. In addition, M & I Mortgage Corporation (MIMC) provides multiple adjustable rate mortgage programs, low down payment mortgages with private mortgage insurance, construction loans, as well as government sponsored mortgages such as VA and FHA to community residents.

Conclusions

The bank's ascertainment efforts are very strong. The bank uses director, management and officer affiliations with numerous community, civic and professional organizations throughout the community, as well as a formal officer call program, directed at both customers, prospects and community organizations, to ascertain community credit needs. These efforts are augmented through the use of a survey. The results of these efforts are reviewed by management and the board of directors to ensure that community credit needs are identified and acted upon.

Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Regulatory Expectation

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community needs.

Scope and Findings

The bank's CRA plan, CRA committee structure, minutes of the board of directors and CRA committee meetings, internal reports, self-assessment and training were reviewed.

The bank developed and implemented a formal written CRA plan designed to provide management oversight and direction of the bank's CRA activities. The bank's CRA plan was adopted by the board of directors on February 1995. The board appointed an officer of the bank as the Community Affairs Officer (CAO). The board of directors has delegated sufficient authority to the CAO to implement the bank's CRA plan. The bank established a committee structure to coordinate and monitor the bank's CRA activities.

The board of directors reviews the bank's CRA performance quarterly, and uses a committee structure to manage and monitor the bank's CRA activity on an ongoing basis. This CRA committee meets monthly and consists of the CAO and two other officers.

Conclusions

The board of directors actively participates in the oversight of the bank's CRA compliance program, and the program is considered effective.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Regulatory Expectation

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

Scope and Findings

The bank's marketing plan, affiliations and advertising records were reviewed to determine the extent to which the availability of credit products is marketed throughout the

delineated community.

The bank markets its products and services through its call programs, community affiliations, direct mailings, lobby brochures and advertisements. Commercial loans are marketed primarily through the bank's officer call programs and affiliations with various organizations throughout the community. The availability of consumer loan and deposit services are marketed to existing customers primarily through statement messages and enclosures, lobby posters and brochures. Local mass media is used to advertise the bank's consumer loan products.

Review of the bank's advertising records revealed that a variety of newspapers, billboards and cable television stations are used to advertise products and services throughout the community.

The following chart illustrates the bank's advertising efforts since the previous examination.

ADVERTISING MEDIUM	BANK SERVICES ADVERTISED	FREQUENCY OF ADVERTISEMENTS	PERCENT OF TOTAL BY TYPE
BILLBOARDS	Real Estate	8	40.0
	Home Improvement	1	5.0
	Overdraft Protection	1	5.0
	Automobile	3	15.0
	Business	4	20.0
	Deposit	3	15.0
HILITER WEEKLY CIRCULATION 33,000	Real Estate	18	16.7
	Home Improvement	1	1.0
	Automobile	1	1.0
	Deposit	11	10.1
	Goodwill	1	1.0
STANDARD PRESS WEEKLY NEWSPAPER CIRCULATION 15,100	Real Estate	18	16.7
	Home Improvement	1	1.0
	Automobile	1	1.0
	Business	1	1.0
	Deposit	14	13.1
	Goodwill	1	1.0
WATERFORD POST WEEKLY NEWSPAPER CIRCULATION 1,615	Real Estate	2	1.8
	Goodwill	2	1.8
WESTOSHA WEEKLY NEWSPAPER CIRCULATION 13,100	Real Estate	17	15.7
	Home Improvement	1	1.0
	Automobile	1	1.0
	Business	1	1.0
	Deposit	14	13.1

ADVERTISING MEDIUM	BANK SERVICES ADVERTISED	FREQUENCY OF ADVERTISEMENTS	PERCENT OF TOTAL BY TYPE
	Goodwill	1	1.0
RACINE /KENOSHA COUNTY FAIR GUIDES SCHOOL GUIDES MONTHLY MAGAZINE	Goodwill	20	100.0
WIN TV CABLE	Goodwill	1	100.0

Further review of the bank's advertising revealed that 54.1% were for loans, 28.3% were for deposits, and 17.6% were goodwill announcements. Approximately 45% of the loan advertisements were for real estate/improvement loans. The bank continues to run advertisements promoting the availability of Federal Housing Administration (FHA) Title I Home Improvement Loans and Wisconsin Housing & Energy Development Authority (WHEDA) Loans.

In February, 1996, the bank conducted a 5,000 piece direct mail campaign for home equity lines. To date, the campaign has contributed to the opening of 60 new lines of credit totaling \$1,519,850, with another 25 for \$725,500 pending.

Discussions with management indicated that, based on its self-analysis, the bank has the media that are most effective in marketing its products. This is supplemented through the officer call program.

Conclusions

The bank's marketing efforts are considered strong; they are conducted throughout the delineated community via the primary local media.

Assessment Factor (i) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Scope and Findings

A review of the bank's March 31, 1996, Consolidated Report of Condition revealed a loan-to-deposit ratio of 74.09%. The distribution by loan type was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	5,336	4.83
Residential (1-4)	48,904	44.28
Home Equity	3,883	3.52
Commercial	17,397	15.75
Agricultural	2,480	2.25
Multi-family	4,849	4.39
CONSUMER		
Open-end Credit	247	0.22
All Other	8,059	7.30
COMMERCIAL AND INDUSTRIAL	16,698	15.12
AGRICULTURAL	1,613	1.46
STATE AND POLITICAL		
OBLIGATIONS	837	0.76
OTHER	130	0.12

Based upon a comparison of the bank's loan distribution with December 31, 1993 Call Report information, dated December 31, 1993, contained in the previous report of examination, the bank's loan to deposit ratio has increased by 4.09%. Total real estate loans increased by 22.83% or \$15.4 million, since the previous examination. A major contributor to this growth is commercial real estate lending which increased by 117.41% or by \$9.4 million. However, as a percentage of the bank's loan mix, commercial loans increased by 8.25%. Discussions with management indicated that there has been a lot of calls on commercial prospects that are beginning to pay-off in new commercial loans. As a percent of the bank's product mix, all other loan products have remained relatively stable, since the previous examination.

According to the Uniform Bank Performance Report (UBPR), dated December 31, 1995, the bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	5.69	4.57
1 - 4 Family Residential	46.97	28.86
Home Equity	2.91	2.23
Other Real Estate	19.82	26.04
Farmland	2.29	0.46
Multi-family	4.46	1.47
Commercial	13.06	22.28
TOTAL REAL ESTATE LOANS	72.47	65.12

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
LOANS TO INDIVIDUALS	8.23	11.50
CREDIT CARD LOANS	0.23	0.48
COMMERCIAL & INDUSTRIAL LOANS	15.08	16.55
AGRICULTURAL LOANS	1.53	0.23
MUNICIPAL LOANS	2.54	0.25
OTHER LOANS*	0.14	0.26
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO
73.38	75.85

The bank exceeds peer by 18.11% in 1 - 4 family residential lending, which may be attributable to the influx of people moving into the area from Chicago and Milwaukee. The distribution of the bank's loan portfolio is consistent with the credit needs identified by community contacts.

Conclusions

A review of the bank's strong lending activities, as exemplified by a 74.09% loan-to-deposit ratio, the growth of its loan portfolio, and the product mix of the loan portfolio indicate that the bank originates credit by general type consistent with the types of credit listed in its CRA Statement, and consistent with community credit needs.

Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

Scope and Findings

The bank's loan portfolio, various internal documents and its CRA statement were reviewed to determine the extent of the bank's participation in government loans.

The following chart summarizes the bank's activity in government sponsored loan programs.

PROGRAM	OUTSTANDING		SINCE PREVIOUS EXAMINATION	
	NUMBER	DOLLAR AMOUNT	NUMBER	AMOUNT
FHA	4	44,526	4	49,450
SBA	5	161,825	5	172,798
WHEDA	-	-	2	137,000
STUDENT	843	1,568,176	445	645,323

Review of the bank's marketing efforts show that management actively solicits FHA Title I home improvement, low cost mortgages, and Small Business Administration (SBA) loans through advertisements and the officer call program.

Additionally, the bank offers Veterans Administration (VA) loans, mortgages with private mortgage insurance (PMI), as well as other mortgage products through MIMC.

Conclusions

The bank's performance is consistent with the need for this type of product in its community. Management is actively soliciting government-sponsored loan products both through advertisements and the officer call program.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Regulatory Expectation

Reasonableness of Community Delineation

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

Scope and Findings

The bank's delineated community encompasses the counties of Kenosha (MSA 3800), Racine (MSA 6600), and Walworth (non MSA). This delineation is consistent with method number three.

There are 14 census tracts within the delineated community, one of which is a low- and moderate-income census tract (below 80% of median family income for the MSA). There are no minority census tracts within the delineated community. The delineation does not exclude any areas that the bank could reasonably be expected to serve, and loans are distributed throughout the community. Management reviews the delineation of its community at least annually.

To make sure that its community delineation remains reasonable, the bank does a self analysis at least quarterly.

Conclusions

Reviews of the sample of loans selected during this examination, the 1993 and 1994 HMDA reports, and the bank's geo-coding reports support the reasonableness of the delineation.

Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

Regulatory Expectation

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

Scope and Findings

A review of the loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Mortgage	16	15	93.75
Single Payment	20	16	80.00
Instalment	19	15	78.95
Personal Equity Line	9	9	100.0
Personal Reserve Account	20	20	100.0
Commercial Loans	21	21	100.0
Total Approved Loans	105	96	91.43
Denied Applications	44	40	90.91
Total Approved & Denied	149	136	91.27

The preceding chart indicates that the bank is taking applications and granting loans within its delineated community.

1993 and 1994 Home Mortgage Disclosure Act (HMDA) Analysis

During 1993 and 1994, 88% of all applications from within the MSA portion of its delineation were approved. However, the bank did not report any activity in the low- and moderate-income census tract within its delineation. According to the census data, the one low- to moderate-income tract contains 60 housing units and 638 people; this census tract houses the Wisconsin Southern Center for the mentally handicapped.

Bank's Geo-coding Analysis

The bank does a extensive analysis of all consumer loans and commercial loans, and credit denials by census tract or block numbered area. The results of the geocoded analysis is reported to the CRA committee, monthly and at least quarterly to the board of directors. The bank's 1995 year-end analysis showed lending activity throughout its entire delineation, including the low- and moderate-income tract. Additionally, 94% of all loans granted came from within the delineated community.

Conclusions

Review of the loan sample, and the results of the HMDA analysis and bank's self analysis indicate that the bank's loans are distributed throughout the community.

Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.

Scope and Findings

The number and location of bank branches and ATMs, the level of services offered, the opening and closing of branches, and the bank's branch opening and closing policy were reviewed.

The bank has a written M & I corporate policy concerning branch closings, which contain provisions for appropriate notice, analysis of the impact of a closing will have on the local community, and efforts that may be made to minimize any adverse effects.

Conclusions

The bank's facilities provide an adequate level of service to the bank's entire delineated community.

IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Scope and Findings

A comparison was made between the credit products listed in the bank's CRA statement and the examination loan sample, as well as other bank documents to determine if products listed were available to members of the community.

The bank's CRA statement indicates that the following types of credit are available to members of its community:

- Consumer Loans
- Commercial Loans
- Residential Loans (1-4 family)
- Home Improvement Loans
- Agricultural Loans
- FHA Title I Loans
- Secondary Market Real Estate Loans
- WHEDA Home Improvement/WHEDA Crop Loans
- WHEC Loans (student)
- Municipal Loans
- SBA Loans
- Multi-family Residential Loans
- PRA Loans
- SBA Low-Doc Loans

Bank records indicate that the types of credit listed in the bank's CRA statement are generally available to qualified applicants.

Conclusions

A review of the examination sample of loans and loans originated since the previous examination indicated that the bank originated loans in accordance with its stated policy. No practices intended to discourage applications for the credit products listed in the bank's CRA statement were detected.

Assessment Factor (f) - Evidence of prohibited discriminatory or other illegal credit practices.

Scope and Findings

The bank's loan forms, policies and procedures were reviewed and loan officers were interviewed. The bank and mortgage company's fair lending training programs and materials were reviewed. Recent real estate, consumer installment and open-end revolving loans, a sample of commercial loans, as well as, rejected credit applications were reviewed

for compliance with applicable fair housing and fair lending laws and regulations. The bank's HMDA statements and loan application registers were also reviewed for any patterns of prohibited credit practices. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws, including the Fair Housing Act and the Equal Credit Opportunity Act.

HMDA Analysis

Less than 3% of the population is comprised of minorities. The bank's overall origination rate for minorities (including joint white/minorities) was 100% in both 1994 and 1993. In 1994, approximately 2.23% of the bank's applicants were joint white/minorities. This was higher than 1993, when 1.20% of the bank's applicants were joint white/minorities. If the minorities are broken down by type, approximately .25% of the population is Black and the bank received .37% of its applications from Black applicants in 1994 and none in 1993. Approximately, 1.63% of the population is Hispanic and the bank received no applications from Hispanic applicants during 1994 and 0.80% in 1993.

The bank's origination rate by racial and ethnic category was lower than the aggregate for American Indians in both 1994 and 1993; the rate was higher for Asians in 1994, but not in 1993. The origination rate was higher for Blacks in 1994, but not in 1993. In 1994, the bank's origination rate was lower than the aggregate for Hispanic applicants, but was higher in 1993.

The volume of originations to minority applicants increased slightly between 1993 and 1994 (1.20% in 1993 and 2.30% in 1994).

In 1994, males applicants accounted for 40% of the total denials while females accounted for only 15%. However, in 1993 females accounted for 25% of the total denials while males accounted for only 13%.

Conclusions

The review of the loan sample and the bank's 1993 and 1994 HMDA data revealed no evidence of prohibited discriminatory credit practices. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws, including the Fair Housing Act and the Equal Credit Opportunity Act.

V. COMMUNITY DEVELOPMENT

Assessment Factor (h) - The institution's participation, including investments, in local community development or redevelopment projects or programs.

Scope and Findings

The bank's loan and investment portfolios, as well as management's participation in and knowledge of development activities within the community were reviewed to determine the effectiveness of the bank's efforts to meet the community development needs of the markets it serves.

Since the previous examination, the bank has made a number of loans which evidence its support of community development; they include loans to various companies, the following is a summary:

<u>PURPOSE</u>	<u>AMOUNT</u>
Start-up recycling business	\$ 35,255
Construct new drug store	850,000
Construct business apartment units	1,100,000
Expansion of Farm Services dealer	300,000
Construct seniors housing project	800,000
Development of Twin Lakes subdivision	473,000
Purchase minority owned gas station	140,000
Environmental clean-up	40,000
Purchase Pastors residence	112,500
Construct new Church	320,000
New addition to school	50,000
Construct new school	45,000

The bank also supports the community through the purchase of local municipal bonds; 93% of the bond portfolio are local municipals. Since the previous examination the bank has made a number of purchases totaling \$5,247,560. In addition to municipal investments, the bank lends to local municipalities directly.

Further community development by the bank comes through loan participation with local community development corporations (CDCs). Since the previous examination, the bank has participated in two loans totaling \$620,000 through the Kenosha Area Development Corporation (KADC).

Conclusions

The bank's activities demonstrate its active leadership role in the community. The bank actively helps local governments meet their credit needs by purchasing and funding municipal bonds and providing direct loans. The bank also provides support for local community economic development and redevelopment efforts through its financing of businesses which are located in local community. The bank also demonstrates its support for economic development through its loans to "start up" businesses. In addition, the bank has provided direct loans to local community-based, nonprofit organizations including community and economic development organizations and local churches.

Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no apparent factors relating to the bank's financial condition and size, or local economic conditions that would prevent the bank from meeting the community's credit needs.

Assessment Factor (l) - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.

Scope and Findings

The bank's efforts to provide technical assistance and support for nonprofit community development organizations and the contributions it provides to community and economic development organizations were reviewed.

Historically, the bank has been a significant contributor of resources, financial and otherwise to local causes. The bank's contributions since the previous examination total \$9,774.

The bank continues to provide extensive technical assistance to area high schools. Bank officers regularly attend career days and make presentations regarding basic banking skills and loans.

Conclusions

The bank's efforts to provide technical assistance and support for community development efforts in its delineated community are consistent with its size and resources. In addition, the bank's contributions provide needed financial assistance to a range of nonprofit community and/or economic development organizations.